

SCOTT COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2012

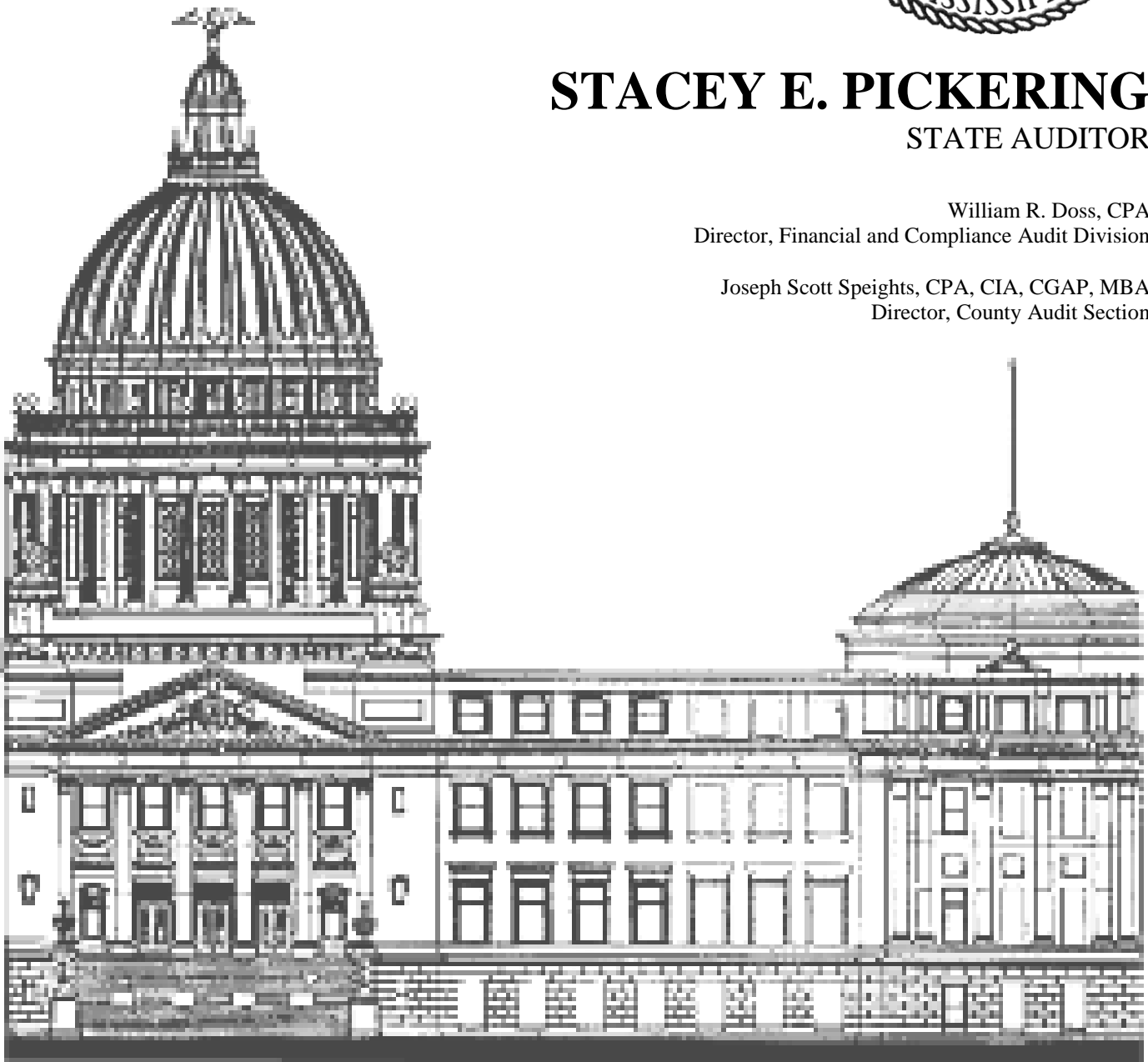


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section





STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

February 27, 2014

Members of the Board of Supervisors
Scott County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2012 financial and compliance audit report for Scott County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Scott County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Scott County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", written in a cursive style.

Stacey E. Pickering
State Auditor

SCOTT COUNTY

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SCOTT COUNTY

FINANCIAL SECTION

SCOTT COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Scott County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Scott County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Scott County, Mississippi, as of September 30, 2012, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

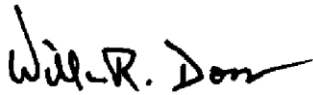
In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2014, on our consideration of Scott County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Scott County, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Scott County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise Scott County, Mississippi's basic financial statements. The accompanying Schedule of Surety Bonds for County Officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

A handwritten signature in black ink, appearing to read "Will R. Doss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 27, 2014

SCOTT COUNTY

FINANCIAL STATEMENTS

SCOTT COUNTY

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SCOTT COUNTY
Statement of Net Assets
September 30, 2012

Exhibit 1

	Governmental Activities
ASSETS	
Cash	\$ 8,907,769
Property tax receivable	8,315,000
Accounts receivable (net of allowance for uncollectibles of \$563,001)	262,611
Fines receivable (net of allowance for uncollectibles of \$1,219,848)	237,953
Intergovernmental receivables	206,649
Other receivables	109,645
Capital assets:	
Land and construction in progress	3,073,305
Other capital assets, net	20,417,319
Total Assets	<u>41,530,251</u>
LIABILITIES	
Claims payable	656,444
Intergovernmental payables	179,539
Accrued interest payable	195,032
Deferred revenue	8,315,000
Unearned revenue	142,857
Other payables	7,457
Long-term liabilities	
Due within one year:	
Capital debt	991,471
Due in more than one year:	
Capital debt	10,430,419
Non-capital debt	174,156
Total Liabilities	<u>21,092,375</u>
NET ASSETS	
Invested in capital assets, net of related debt	12,068,734
Restricted:	
Expendable:	
General government	339,902
Public safety	1,118,975
Public works	3,300,456
Debt service	969,978
Unemployment compensation	113,222
Unrestricted	2,526,609
Total Net Assets	<u>\$ 20,437,876</u>

The notes to the financial statements are an integral part of this statement.

SCOTT COUNTY
Statement of Activities
For the Year Ended September 30, 2012

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,241,169	811,480	43,357		(2,386,332)
Public safety	4,447,058	622,089	32,910		(3,792,059)
Public works	3,446,938	683,140	1,016,487	127,292	(1,620,019)
Health and welfare	195,387		186,184	9,600	397
Culture and recreation	218,410				(218,410)
Education	254,599		254,599		
Conservation of natural resources	184,137		82,447		(101,690)
Economic development and assistance	95,223		5,739		(89,484)
Interest on long-term debt	506,842				(506,842)
Total Governmental Activities	\$ <u>12,589,763</u>	<u>2,116,709</u>	<u>1,621,723</u>	<u>136,892</u>	<u>(8,714,439)</u>
General revenues:					
Property taxes				\$	8,440,025
Road & bridge privilege taxes					332,704
Grants and contributions not restricted to specific programs					567,434
Unrestricted gifts and donations					40,000
Unrestricted interest income					120,662
Miscellaneous					173,766
Total General Revenues					<u>9,674,591</u>
Changes in Net Assets					<u>960,152</u>
Net Assets - Beginning of year, as previously reported					19,307,003
Prior period adjustments					170,721
Net Assets - Beginning of year, as restated					<u>19,477,724</u>
Net Assets - End of year				\$	<u>20,437,876</u>

The notes to the financial statements are an integral part of this statement.

SCOTT COUNTY
Balance Sheet - Governmental Funds
September 30, 2012

Exhibit 3

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>2007 Series Jail</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Bond Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash	\$ 2,829,388	880,939	5,197,442	8,907,769
Property tax receivable	5,824,600	946,000	1,544,400	8,315,000
Accounts receivable (net of allowance for uncollectibles of \$563,001)			262,611	262,611
Fines receivable (net of allowance for uncollectibles of \$1,219,848)	237,953			237,953
Intergovernmental receivables	206,649			206,649
Other receivables	65,918		43,727	109,645
Due from other funds		45,294	53,056	98,350
Total Assets	\$ <u>9,164,508</u>	<u>1,872,233</u>	<u>7,101,236</u>	<u>18,137,977</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 145,175		511,269	656,444
Intergovernmental payables	173,385			173,385
Due to other funds	75,173		29,331	104,504
Deferred revenue	6,062,553	946,000	1,807,011	8,815,564
Unearned revenue			142,857	142,857
Other payables	7,457			7,457
Total Liabilities	<u>6,463,743</u>	<u>946,000</u>	<u>2,490,468</u>	<u>9,900,211</u>
Fund balances:				
Restricted for:				
General government			101,949	101,949
Public safety			1,118,975	1,118,975
Public works			3,037,845	3,037,845
Debt service		926,233	238,777	1,165,010
Unemployment compensation			113,222	113,222
Unassigned	2,700,765			2,700,765
Total Fund Balances	<u>2,700,765</u>	<u>926,233</u>	<u>4,610,768</u>	<u>8,237,766</u>
Total Liabilities and Fund Balances	\$ <u>9,164,508</u>	<u>1,872,233</u>	<u>7,101,236</u>	<u>18,137,977</u>

The notes to the financial statements are an integral part of this statement.

SCOTT COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2012

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 8,237,766
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$10,412,831.	23,490,624
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	500,564
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(11,596,046)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(195,032)</u>
Total Net Assets - Governmental Activities	\$ <u><u>20,437,876</u></u>

The notes to the financial statements are an integral part of this statement.

SCOTT COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2012

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>2007 Series Jail</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Bond Fund</u>	<u>Funds</u>	<u>Funds</u>
REVENUES				
Property taxes	\$ 5,849,815	987,240	1,602,970	8,440,025
Road and bridge privilege taxes			332,704	332,704
Licenses, commissions and other revenue	306,814		190,508	497,322
Fines and forfeitures	297,564		6,650	304,214
Intergovernmental revenues	793,719	5,745	1,566,585	2,366,049
Charges for services	356,106		899,111	1,255,217
Interest income	96,513	2,519	21,630	120,662
Miscellaneous revenues	43,042		117,838	160,880
Total Revenues	<u>7,743,573</u>	<u>995,504</u>	<u>4,737,996</u>	<u>13,477,073</u>
EXPENDITURES				
Current:				
General government	2,981,973		172,963	3,154,936
Public safety	3,378,518		898,123	4,276,641
Public works			3,433,127	3,433,127
Health and welfare	276,190		17,348	293,538
Culture and recreation	218,410			218,410
Education			254,599	254,599
Conservation of natural resources	139,003		41,934	180,937
Economic development and assistance	90,223		5,000	95,223
Debt service:				
Principal	53,054	450,000	399,881	902,935
Interest	3,079	477,046	34,670	514,795
Total Expenditures	<u>7,140,450</u>	<u>927,046</u>	<u>5,257,645</u>	<u>13,325,141</u>
Excess of Revenues over (under) Expenditures	<u>603,123</u>	<u>68,458</u>	<u>(519,649)</u>	<u>151,932</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			386,075	386,075
Proceeds from sale of capital assets	730		56,283	57,013
Transfers in			205,141	205,141
Transfers out			(205,141)	(205,141)
Total Other Financing Sources and Uses	<u>730</u>	<u>0</u>	<u>442,358</u>	<u>443,088</u>
Net Changes in Fund Balances	<u>603,853</u>	<u>68,458</u>	<u>(77,291)</u>	<u>595,020</u>
Fund Balances - Beginning of year, as previously reported	2,096,912	857,775	4,810,963	7,765,650
Prior period adjustments			(122,904)	(122,904)
Fund Balances - Beginning of year, as restated	<u>2,096,912</u>	<u>857,775</u>	<u>4,688,059</u>	<u>7,642,746</u>
Fund Balances - End of year	<u>\$ 2,700,765</u>	<u>926,233</u>	<u>4,610,768</u>	<u>8,237,766</u>

The notes to the financial statements are an integral part of this statement.

SCOTT COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2012

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 595,020
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$1,084,783 exceeded capital outlays of \$914,206 in the current period.	(170,577)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$12,886 and the proceeds from the sale of \$57,013 in the current period.	(44,127)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	9,944
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	50,012
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$902,935 exceeded debt proceeds of \$386,075.	516,860
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences	(4,933)
The amount of decrease in accrued interest payable	<u>7,953</u>
Change in Net Assets of Governmental Activities	\$ <u>960,152</u>

The notes to the financial statements are an integral part of this statement.

SCOTT COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2012

Exhibit 5

		Agency Funds
ASSETS		
Cash	\$	224,743
Due from other funds		6,154
Total Assets	\$	<u>230,897</u>
LIABILITIES		
Intergovernmental payables	\$	<u>230,897</u>
Total Liabilities	\$	<u>230,897</u>

The notes to the financial statements are an integral part of this statement.

SCOTT COUNTY

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SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Scott County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Scott County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County. There are no outside organizations that should be included as component units of the County's reporting entity.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

2007 Series Jail Bond Fund - This fund is used to account for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing used for the county jail building project.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Scott County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

M. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments are as follows:

Exhibit 2 - Statement of Activities – Governmental Activities.

Explanation	Amount
To correct prior year errors in capital assets, net.	\$ 293,625
To correct prior year errors in accounts receivable, net.	(122,904)
Total prior period adjustments	\$ 170,721

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Explanation	Amount
To correct prior year errors in accounts receivable, net.	\$ (122,904)

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2012, was \$9,132,512, and the bank balance was \$9,180,218. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2012:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
2007 Series Jail Bond Fund	General	\$ 15,963
2007 Series Jail Bond Fund	Other Governmental Funds	29,331
Other Governmental Funds	General	53,056
Agency Funds	General	6,154
Total		\$ 104,504

The receivables represent the tax revenue collected in September, 2012 but not settled until October, 2012. All interfund balances are expected to be repaid within one year from the date of the financial statements.

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	Other Governmental Funds	\$ <u>205,141</u>

The principal purpose of interfund transfers was to provide funds for the retirement of long-term debt and to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2012, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 101,950
Emergency management performance grant	20,421
Reimbursement for housing prisoners	67,131
DHS reimbursement	15,374
Youth court reimbursement	<u>1,773</u>
Total Governmental Activities	\$ <u>206,649</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2012:

Governmental activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 562,101				562,101
Construction in progress	2,319,773	220,371		(28,940)	2,511,204
Total non-depreciable capital assets	<u>2,881,874</u>	<u>220,371</u>	<u>0</u>	<u>(28,940)</u>	<u>3,073,305</u>
<u>Depreciable capital assets:</u>					
Infrastructure	5,039,921				5,039,921
Buildings	15,462,080			332,205	15,794,285
Mobile equipment	7,818,261	241,007	441,290	26,770	7,644,748
Furniture and equipment	462,647	31,165			493,812
Leased property under capital leases	<u>1,462,490</u>	<u>421,663</u>		<u>(26,770)</u>	<u>1,857,383</u>
Total depreciable capital assets	<u>30,245,399</u>	<u>693,835</u>	<u>441,290</u>	<u>332,205</u>	<u>30,830,149</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	735,446	143,072			878,518
Buildings	2,291,514	315,897			2,607,411
Mobile equipment	5,975,983	356,681	397,163	19,280	5,954,781
Furniture and equipment	358,491	90,211			448,702

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
Leased property under capital leases	354,137	178,922		(9,640)	523,419
Total accumulated depreciation	9,715,571	1,084,783	397,163	9,640	10,412,831
Total depreciable capital assets, net	20,529,828	(390,948)	44,127	322,565	20,417,318
Governmental activities capital assets, net	\$ 23,411,702	(170,577)	44,127	293,625	23,490,623

* The adjustments represent reclassifications of paid off leased property under capital lease to mobile equipment along with related accumulated depreciation, the reclassification of completed construction in progress to buildings, and to correct errors in the capital asset records.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 95,684
Public safety	402,619
Public works	524,306
Health and welfare	58,974
Conservation of natural resources	3,200
Total governmental activities depreciation expense	\$ 1,084,783

Commitments with respect to unfinished capital projects at September 30, 2012, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Old Jackson Road Bridges SAP 62(57)	\$ 188,868	12/2013

(7) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

(8) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2012:

Classes of Property		Governmental Activities
Mobile equipment	\$	1,808,476
Furniture and equipment		48,907
Total		1,857,383
Less: Accumulated depreciation		523,419
Leased Property Under Capital Leases	\$	1,333,964

The following is a schedule by years of the total payments due as of September 30, 2012:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2013	\$ 442,245	19,722
2014	281,585	10,206
2015	122,410	5,534
2016	67,723	3,394
2017	59,416	1,935
2018 – 2022	59,900	100
Total	\$ 1,033,279	40,891

(9) Long-term Debt.

Debt outstanding as of September 30, 2012, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds: Series 2010 Building Bond	\$ 130,500	3.50%	11/2015
B. Limited Obligation Bonds: Jail Bond - Series 2007	\$ 10,185,000	4.00 – 5.00%	11/2027
C. Capital Leases:			
Tractor & bush hog	\$ 1,604	3.09%	10/2012
Motor grader	123,446	3.24%	11/2012
Motor grader	106,986	3.24%	11/2012
Dodge Chargers	40,920	2.85%	08/2013
Motor grader	129,097	3.29%	11/2013
2011 Western Star garbage truck	90,782	2.91%	12/2014
2010 Case backhoe	27,126	2.99%	05/2015
2011 Freightliner garbage truck	103,481	2.87%	06/2015
AS400 Computer	31,756	3.35%	10/2015
2012 John Deere 6430 tractor/mower	42,797	1.97%	04/2017
2012 Hydraulic excavator	73,922	1.93%	07/2017

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
2007 Cat 140H motor grader - refinanced	117,137	2.54%	08/2017
2012 Cat 430F backhoe	93,999	2.00%	10/2017
2012 Ambulance	50,226	2.04%	07/2017
Total Capital Leases	\$ 1,033,279		
D. Other Loans:			
Equestrian Center	\$ 57,802	3.00%	09/2013
Rail services loan	15,309	3.50%	07/2015
Total Other Loans	\$ 73,111		

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 31,000	4,025	455,000	453,882
2014	32,000	2,923	475,000	435,282
2015	33,000	1,785	490,000	415,982
2016	34,500	603	510,000	395,982
2017			530,000	372,532
2018 – 2022			3,045,000	1,455,882
2023 – 2027			3,805,000	701,112
2028 – 2032			875,000	21,875
Total	\$ 130,500	9,336	10,185,000	4,252,529

Year Ending September 30	Other Loans	
	Principal	Interest
2013	\$ 63,226	1,251
2014	5,617	259
2015	4,268	64
Total	\$ 73,111	1,574

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2012, the amount of outstanding debt was equal to 5.88% of the latest property assessments.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

	Balance Oct. 1, 2011	Additions	Reductions	Adjustments	Balance Sept. 30, 2012	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 169,223	4,933			174,156	
General obligation bonds	160,500		30,000		130,500	31,000
Limited obligation bonds	10,635,000		450,000		10,185,000	455,000
Capital leases	997,303	386,075	350,099		1,033,279	442,245
Other loans	145,947		72,836		73,111	63,226
Total	\$ 12,107,973	391,008	902,935	0	11,596,046	991,471

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, Road Maintenance Fund, Emergency 911 Fund and Garbage and Solid Waste Fund.

(10) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

(11) Joint Venture.

The County participates in the following joint venture:

Scott County is a participant with Rankin, Smith and Simpson Counties in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Central Mississippi Regional Library System. The joint venture was created to provide library services to the public and is governed by a five-member board, which two members are appointed by Rankin County and one member each from the other three counties. By contractual agreement, the County's appropriation to the joint venture was \$181,052 in fiscal year 2012. Complete financial statements for the Central Mississippi Regional Library System can be obtained from the following address: 3470 Highway 80 East, Pearl, MS 39208.

(12) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

East Central Community College operates in a district composed of the counties of Leake, Neshoba, Newton, Scott and Winston. The Scott County Board of Supervisors appoints six of the 30 members of the college board of trustees. The County levy collected in 2012 the following amounts: \$357,278 for maintenance and support, \$62,278 for buildings and renovations and \$57,361 for construction of a girl's dormitory.

Central Mississippi Emergency Medical Services District operates in a district composed of the Counties of Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Neshoba, Rankin, Scott, Smith, Warren and Yazoo. The Scott County Board of Supervisors appoints two of the 26 board members. The County provides only modest financial support for the district.

East Central Planning and Development District operates in a district composed of the counties of Clarke, Jasper,

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Scott County Board of Supervisors appoints one of the 15 members of the board of directors. The County provided \$16,284 in support for the district in fiscal year 2012.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Scott County Board of Supervisors appoints one of the nine members of the board of commissioners. The County appropriated \$31,000 for support of the commission in fiscal year 2012.

Mid-Mississippi Development District operates in a district composed of the counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was organized to foster, encourage and facilitate economic development in the member counties. The district's board of trustees is composed of 30 members, five each from the six-member counties. The County appropriated \$40,800 for support to the district in fiscal year 2012.

(13) Defined Benefit Pension Plan.

Plan Description. Scott County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2012, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2012 was 14.26% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2012, 2011 and 2010 were \$520,792, \$474,101 and \$475,119, respectively, equal to the required contributions for each year.

(14) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Scott County evaluated the activity of the County through February 27, 2014, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2012, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12/11/2012	2.54%	\$ 122,000	Capital Lease	Advalorem taxes
12/12/2012	2.54%	105,452	Capital Lease	Advalorem taxes
03/14/2013	2.24%	26,900	Capital Lease	Advalorem taxes
04/04/2013	1.88%	56,831	Capital Lease	Advalorem taxes
04/04/2013	2.10%	28,500	Capital Lease	Advalorem taxes
09/11/2013	1.75%	160,614	Capital Lease	Advalorem taxes

SCOTT COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCOTT COUNTY

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SCOTT COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2012
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 5,821,100	5,852,287	5,852,287	
Licenses, commissions and other revenue	293,900	384,659	384,659	
Fines and forfeitures	266,000	288,676	288,676	
Intergovernmental revenues	596,900	780,564	780,564	
Charges for services	195,050	332,735	332,735	
Interest income	15,500	97,214	97,214	
Miscellaneous revenues	108,000	158,812	158,812	
Total Revenues	<u>7,296,450</u>	<u>7,894,947</u>	<u>7,894,947</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,422,880	3,166,223	3,166,223	
Public safety	3,399,612	3,437,826	3,437,826	
Health and welfare	272,920	276,072	276,072	
Culture and recreation	212,702	218,411	218,411	
Conservation of natural resources	157,072	139,808	139,808	
Economic development and assistance	87,934	87,557	87,557	
Debt service:				
Principal	45,400	43,439	43,439	
Interest		1,840	1,840	
Total Expenditures	<u>7,598,520</u>	<u>7,371,176</u>	<u>7,371,176</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(302,070)</u>	<u>523,771</u>	<u>523,771</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		730	730	
Compensation for loss of capital assets		3,656	3,656	
Transfers in		60,000	60,000	
Transfers out		(60,000)	(60,000)	
Total Other Financing Sources and Uses	<u>0</u>	<u>4,386</u>	<u>4,386</u>	<u>0</u>
Net Change in Fund Balance	<u>(302,070)</u>	<u>528,157</u>	<u>528,157</u>	
Fund Balances - Beginning	<u>1,246,000</u>	<u>2,056,720</u>	<u>2,056,720</u>	
Fund Balances - Ending	<u>\$ 943,930</u>	<u>2,584,877</u>	<u>2,584,877</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

SCOTT COUNTY

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SCOTT COUNTY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2012
UNAUDITED

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

	<u>Governmental Fund</u> <u>General</u> <u>Fund</u>
Budget (Cash Basis)	\$ 528,157
Increase (Decrease)	
Net adjustments for revenue accruals	(215,030)
Net adjustments for expenditure accruals	<u>290,726</u>
GAAP Basis	<u>\$ 603,853</u>

SCOTT COUNTY

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SCOTT COUNTY

SUPPLEMENTAL INFORMATION

SCOTT COUNTY

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/Passed-through the Mississippi State Treasurer's Office - Federal Forestry Service School and roads - grants to states*	10.665	N/A	\$ 668,412
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority HOME investment partnerships program	14.239	M10-SG-280-10987	5,000
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 076 B	24,700
U.S. Department of Health and Human Services/ Passed-through the Mississippi Secretary of State Voting access for individuals with disabilities - grants to states	93.617	A9812G1/P1	6,220
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Disaster grants - public assistance	97.036	FEMA-1972-DR-MS	7,554
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Emergency management performance grant	97.042	11EMPL00	11,159
Emergency management performance grant	97.042	12EMPL00	17,687
Subtotal			28,846
Total U.S. Department of Homeland Security			36,400
Total Expenditures of Federal Awards			\$ 740,732

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

* Denotes major federal award program

SCOTT COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2012

Operating Expenditures, Cash Basis:

Personnel services	\$	211,458
Contractual services		95,523
Consumable supplies		169,348
Capital outlay		<u>3,656</u>

Solid Waste Cash Basis Operating Expenditures		<u>479,985</u>
---	--	----------------

Full Cost Expenses:

Indirect administrative costs		37,206
Depreciation on equipment		38,831
Interest on debt		6,778
Net effect of other accrued expenses		<u>33,269</u>

Solid Waste Full Cost Operating Expenses	\$	<u><u>596,069</u></u>
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SCOTT COUNTY

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SCOTT COUNTY

OTHER INFORMATION

SCOTT COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2012
UNAUDITED

Name	Position	Company	Bond
Jackie Bradford	Supervisor District 1	Brierfield	\$100,000
Tim Sorey	Supervisor District 2	Brierfield	\$100,000
Steven Crotwell	Supervisor District 3	Western Surety	\$100,000
Johnny P. Harrell	Supervisor District 4	Western Surety	\$100,000
Bruce McMillan	Supervisor District 5	Brierfield	\$100,000
Lee Anne Livingston Palmer	Chancery Clerk	Western Surety	\$100,000
Kim Ervin	Receiving Clerk	Western Surety	\$75,000
Tony Macon	Assistant Receiving Clerk	Brierfield	\$50,000
Terry Price	Assistant Receiving Clerk	Brierfield	\$50,000
Eddie Childs	Assistant Receiving Clerk	Brierfield	\$50,000
Carolyn Ford	Assistant Receiving Clerk	Brierfield	\$50,000
Eldridge Peterson	Assistant Receiving Clerk	Brierfield	\$50,000
Shirley Evans	Purchase Clerk	Brierfield	\$75,000
Tommy Earls	Inventory Control Clerk	Brierfield	\$75,000
Joe Rigby	Circuit Clerk	Western Surety	\$100,000
Bill Harmon Wilbourne	Constable	Western Surety	\$50,000
Richard Prestage	Constable	Western Surety	\$50,000
Mike Lee	Sheriff	Brierfield	\$100,000
Scotty Yarbrough	Sheriff's Deputy	Brierfield	\$50,000
Leonard Harrison	Sheriff's Deputy	Brierfield	\$50,000
Kevin Walker	Sheriff's Deputy	Western Surety	\$50,000
Richard Gregory	Sheriff's Deputy	RLI	\$50,000
Kennedy Warnsley	Sheriff's Deputy	Western Surety	\$50,000
Billy Preston Patrick	Sheriff's Deputy	Western Surety	\$50,000
Michael Manning	Sheriff's Deputy	Western Surety	\$50,000
Derrick Qualls	Sheriff's Deputy	RLI	\$50,000
Brad Ellis	Sheriff's Deputy	RLI	\$50,000
Scotty McPhail	Sheriff's Deputy	Western Surety	\$50,000
Norlyne Taylor	Sheriff's Deputy	RLI	\$50,000
Thornton Gray Jr.	Sheriff's Deputy	RLI	\$50,000
Julian Parker	Sheriff's Deputy	RLI	\$50,000
Donald Simpson	Sheriff's Deputy	Western Surety	\$50,000
Willie J. Anderson	Sheriff's Deputy	Brierfield	\$50,000
Roger Stokely	Sheriff's Deputy	Western Surety	\$50,000
Wilbur McCurdy	Justice Court Judge	Western Surety	\$50,000
Bill Freeman	Justice Court Judge	Western Surety	\$50,000
Betty Odom	Justice Court Clerk	St. Paul Travelers	\$50,000
Edwina Jones	Deputy Justice Court Clerk	Brierfield	\$50,000
Heather Street	Deputy Justice Court Clerk	Brierfield	\$50,000
Myra Murrell Davis	Tax Collector	Brierfield	\$100,000
Leigh McCaughn	Deputy Tax Collector	Brierfield	\$50,000
Glenda Nickson	Deputy Tax Collector	Brierfield	\$50,000

SCOTT COUNTY

SPECIAL REPORTS

SCOTT COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Scott County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Scott County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 27, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Scott County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 12-1 and 12-5 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 12-2, 12-3 and 12-4 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scott County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Scott County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated February 27, 2014, included within this document.

Scott County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Scott County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Doss", with a stylized flourish at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 27, 2014



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors
Scott County, Mississippi

Compliance

We have audited the compliance of Scott County, Mississippi (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect its major federal program for the year ended September 30, 2012. Scott County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Scott County, Mississippi's management. Our responsibility is to express an opinion on Scott County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Scott County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Scott County, Mississippi's compliance with those requirements.

In our opinion, Scott County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2012.

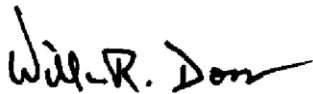
Internal Control Over Compliance

The management of Scott County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Scott County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 27, 2014



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Scott County, Mississippi

We have examined Scott County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2012. The Board of Supervisors of Scott County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Scott County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Scott County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2012.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Scott County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 27, 2014

SCOTT COUNTY

Schedule 1Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2012

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
06/11/2012	Ambulance	\$ 82,110	Trauma Hawk	\$ 76,275	One year newer model vehicle
06/15/2012	Excavator	152,708	Puckett Machinery	120,900	Best buy back option
09/24/2012	Backhoe	93,999	Puckett Machinery	79,500	Better financing and buy back options

SCOTT COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2012

Schedule 2

Our test results did not identify any emergency purchases.

SCOTT COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2012

Our test results did not identify any purchases made noncompetitively from a sole source.

SCOTT COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Scott County, Mississippi

In planning and performing our audit of the financial statements of Scott County, Mississippi (the County) for the year ended September 30, 2012, we considered Scott County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Scott County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated February 27, 2014, on the financial statements of Scott County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Scott County should implement appropriate network banners on its internal network.

Finding

During our review of Scott County, as reported in the prior year's audit report, we noted that the computer system did not display appropriate network banners on its internal network. Network banners are electronic messages that provide notice of legal rights to users of computer networks. Bannering assists in the prosecution of computer related incidents by helping prevent certain defenses made by the perpetrator.

Recommendation

We recommend that Scott County implement appropriate network banners on its internal network.

Board of Supervisors' Response

This program was implemented in November 2013.

2. Scott County should expire all individual's passwords on a periodic basis.

Finding

A discussion of Scott County's computer security settings revealed user's passwords were set to never expire. As reported in the prior year's audit report, generally non-expiring passwords should be reserved only for system tasks which could require continuous service. Otherwise, all passwords should be set to expire in accordance with policy to be determined by Scott County. Expiring passwords on a periodic basis is an industry best practice.

Recommendation

We recommend that all passwords for individual user IDs be set to expire immediately and a policy be implemented that ensures passwords are expired on a regular basis.

Board of Supervisors' Response

We will work with our IT service company to require password change on a regular basis.

Sheriff.

3. The Sheriff should make monthly settlements to the County.

Finding

An effective system of internal control in the Sheriff's office should include monthly settlements to the County. As reported in the prior year's audit report, we noted that the Sheriff's office was not making monthly settlements. Multiple months were being settled at one time in the same month. Failure to make monthly settlements could result in the loss or misappropriation of public funds.

Recommendation

The Sheriff should make monthly settlements to the County.

Sheriff's Response

This issue has been addressed and should no longer be an issue.

Circuit Clerk.

4. Circuit Clerk should make daily deposits and deposit amount of shortage.

Finding

An effective system of internal control over cash should include daily bank deposits. As reported in the prior five years' audit reports, we noted that bank deposits were not being made on a daily basis in the operation of the Circuit Clerk's accounting system. A cash count revealed a shortage of \$2,085 in the Circuit Clerk's criminal bank account. The shortage was a result of receipts, collected in April and May of 2012, that were not deposited into the criminal bank account. Failure to have adequate controls in place could result in the loss or misappropriation of public funds.

Recommendation

The Circuit Clerk should implement controls to ensure that bank deposits are made on a daily basis and deposit \$2,085 into the criminal bank account to recoup the misplaced deposits.

Circuit Clerk's Response

Already making regular deposits.

Auditor's Note:

The Circuit Clerk deposited the missing \$2,085 into the criminal bank account evidenced by deposit ticket dated December 10, 2013.

5. Circuit Clerk should settle collections in a timely manner.

Finding

An effective system of internal control over collections in the Circuit Clerk's office should include monthly settlements of civil and criminal collections to the proper parties. We noted that collections were not being settled to the County on a monthly basis. In some instances settlements were not made for three or four months for civil and criminal collections. Failure to perform timely settlements of collections increases the possibility of loss or misappropriation of public funds.

Recommendation

The Circuit Clerk should implement controls to ensure that settlements are made monthly.

Circuit Clerk's Response

Already doing.

6. The Circuit Clerk should submit payment of over the cap fees to the County by April 15th.

Finding

Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of Circuit Clerks to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be deposited by the clerk into the County's General Fund on or before April 15th for the preceding calendar year. The Clerk exceeded the salary cap by \$7,891.48 for the 2012 calendar year and did not settle the funds to the County's General Fund by April 15, 2013. Failure to properly settle the amount in excess over the salary cap of \$90,000 could result in the loss of public funds.

Recommendation

The Circuit Clerk should settle the \$7,891.48 over the salary cap to the County's General Fund and ensure that future excess fees are settled in a timely manner.

Circuit Clerk's Response

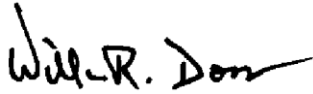
Will settle.

Auditor's Note

The Circuit Clerk settled his excess cap amount of \$7,891.48 to the General Fund of the Scott County Board of Supervisors on November 26, 2013 evidenced by receipt warrant number 879611.

Scott County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 27, 2014

SCOTT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCOTT COUNTY

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SCOTT COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiencies identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | Schools and roads - grants to states, CFDA # 10.665 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

SCOTT COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

12-1. Scott County should establish a disaster recovery process and store back-ups offsite.

Finding

As reported in the prior year's audit report, Scott County has not established a disaster recovery process. As a result, Scott County cannot fully ensure the County's information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. *Control Objectives for Information and Related Technology* (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the agency's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and securely storing them at an off-site location. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create.

Scott County is currently using an automated system to perform daily back-ups of the AS400. However, the back-ups are not being stored off-site. Without off-site storage of back-up files and applications, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that Scott County implement a plan to ensure all back-up files are taken offsite on a regular basis and stored in a safe and secure location. This process should be documented in the Scott County Disaster Recovery Plan. We further recommend Scott County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster.

Board of Supervisors' Response

The Board of Supervisors has purchased a backup server for the AS400 and windows server. These are located in the courthouse. At the time, we do not have the capability to store off site but we are working with Premise to find a provider that can handle the bandwidth required.

Significant Deficiency

12-2. Scott County should implement a program of IT governance.

Finding

Information Technology (IT) governance is the leadership and organizational structures and processes that ensure an organization's IT investments sustain and extend business strategies and objectives. IT governance decision-making frameworks and processes help define how all IT investment decisions will be made, where accountability lies for those decisions and the ongoing management of IT investments and technology standards.

SCOTT COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Policies, procedures, and standards define IT organizational behavior and uses of technology. They are a part of the written record that defines how the IT organization performs services that support the organization. As reported in the prior year's audit report, policy documents should be developed and ratified by IT management. IT policies typically cover topics such as security processes, risk management, roles and responsibilities, development practices, operational practices, incident management, project management and vulnerability management.

Recommendation

We recommend that Scott County establish governance through an IT steering committee that will be responsible for setting long-term IT strategy and ensure that IT processes will effectively meet the County's business needs. Additionally, we recommend Scott County implement a program of IT governance that will address change management, quality management, security management, performance optimization and establish an effective organizational structure and clear statements of roles and responsibilities.

Board of Supervisors' Response

The Board of Supervisors has selected an IT governance board.

Auditor's Note:

The IT governance board was created in April 2013.

Significant Deficiency

- 12-3. Scott County should implement a formal information security policy.

Finding

As reported in the prior year's audit report, Scott County has not adopted a formal Information Security Policy or Enterprise Security Plan. This finding also relates to finding 12-2 in this report, as a strong security stance is a function of a strong Information Technology (IT) Governance process.

The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, Local Area Network/Wide Area Network security, management of the security application and Internet protocol.

Recommendation

Practices outlined in the *Mississippi State Enterprise Security Policy* are typical of appropriate standards for any moderate sized IT organization. While full compliance with all facets of the policy may be an economic challenge for Scott County, beginning steps to become compliant with a policy similar to the *Mississippi Enterprise Security Policy* are necessary. We recommend that Scott County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan.

Board of Supervisors' Response

The Board has adopted an acceptable use, standard practice, and security procedures for use of county computer equipment on September 23, 2013.

SCOTT COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Significant Deficiency

- 12-4. Scott County should remediate the vulnerabilities from the 2005 network review.

Finding

In 2005, Scott County had a network vulnerability review performed by a third party. As reported in the prior year's audit report, this review identified a number of issues ranging from critical to low which should be addressed on Scott County's servers and firewalls. Unless the vulnerabilities are formally reviewed and mitigated, risks exist that weaknesses could be exploited either from internal, or even remotely possible, from external sources. Mapping and evaluation of the findings of the vulnerability report can help serve as a benchmark for future reviews.

Cobit DS5 states: "The need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents."

Recommendation

We recommend that Scott County formally evaluate the network review report and create a strategy to mitigate any high to medium risk vulnerabilities which are found to be valid. Scott County should remediate the vulnerabilities from the 2005 network review as soon as possible.

Board of Supervisors' Response

We will work with Premise in the current 2013-2014 year to establish disaster recovery plan. This will complete the recommendations from the 2005 audit.

Tax Assessor-Collector.

Material Weakness

- 12-5. The Tax Collector should properly maintain a cash journal and reconcile it to the bank statement monthly.

Finding

An effective system of internal control over the collection, recording and disbursement of cash in the Tax Collector's office should include proper maintenance of a cash journal and reconciling the bank account to the cash journal monthly. As reported in the prior four year's audit reports, we noted that the Tax Collector was not reconciling the bank account due to the lack of a reliable cash journal to reconcile with. A cash count indicated a shortage of \$47,825 in the Tax Collector's bank account. Failure to properly reconcile the bank account could result in the inability to make timely settlements due to insufficient funds in the bank account.

Recommendation

The Tax Collector should properly maintain a cash journal ensuring that it reconciles to the bank account monthly and identify the composition of the shortage in the cash journal.

SCOTT COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Tax Collector's Response

I have set-up a spreadsheet cash journal and beginning 10/1/2013 a new book-keeping start of my accounts. The bank reconciling will be done monthly and will be reconciled to my new cash journal. We have identified the shortage. We are over settling the big truck report. Beginning November reports we will begin adjusting all entities' settlements. All overage and shortage will be identified in the cash journal.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.